



ANNUAL BUDGET OF
NONGOMA MUNICIPALITY
2019/20 TO 2021/22
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table of Contents

Part 1- Annual Budget

1.1	Mayor's Report.....	5
1.2	Council Resolutions.....	11
1.3	Executive Summary.....	12
1.4	Operating Revenue Framework.....	14
1.5	Capital expenditure.....	23
1.6	Annual Budget Tables.....	24

Part 2- Supporting Documentation

2.1	Overview of the annual budget process.....	40
2.2	overview of alignment of annual budget with IDP.....	43
2.3	Performance indicator and benchmarks.....	53
2.4	Overview of budget related – policies.....	54
2.5	Overview of budget assumptions.....	56
2.6	Expenditure on grants and reconciliations of unspent funds.....	56
2.7	Councillor's and employee benefits.....	56
2.8	Contracts having future budgetary implications.....	60
2.9	Capital expenditure details.....	61
2.10	Legislation compliance Status.....	64
2.11	Municipal manager's quality certificate.....	64

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

List of tables

Table 1 Consolidated overview of the 2019/20 MTRF.....	6
Table 2 Summary of revenue classified by main revenue source.....	7
Table 3 Operating Transfer and Grants Receipts.....	16
Table 4 Comparison of proposed rates to levied for the 2019/20 financial year.....	17
Table 5 Comparison between current waste removal fees and increases.....	18
Table 6 Summary of operating expenditure by standard classification item.....	20
Table 7 Operational repairs and maintenance.....	21
Table 8 Medium-term capital budget per vote.....	23
Table 9 MBRR Table A1- Budget Summary.....	25
Table 10 MBRR Table A2 – Financial Performance (standard classification).....	27
Table 11 MBRR Table A3 – Financial performance (by municipal vote).....	28
Table 12 MBRR Table A4 – Budgeted Financial Performance (Revenue and Expenditure)....	29
Table 13MBRR Table A5 – Budgeted Capital expenditure by votes.....	27
Table 14 MBRR Table A6 – Budgeted Financial Position.....	29
Table 15 MBRR Table A7 Budgeted Cash flow Statement.....	31
Table 16 MBRR Table A8 – Cash Backed Reserve/accumulated Surplus Reconciliation.....	32
Table 17 MBRR Table A9 – Asset Management.....	34
Table 18 MBRR Table A10 – Basic Service Delivery.....	36
Table 19 IDP Strategic objective.....	43
Table 20 MBRR Table SA1 – Supporting details to budgeted financial performance.....	46
Table 21 MBRR Table SA2 – Matrix financial performance budget.....	49
Table 22 MBRR Table SA3 – Supporting details to financial position.....	50
Table 23 MBRR Table SA4 – Reconciliation between IDP strategic objective – Rev	51
Table 24 MBRR Table SA5 – Reconciliation between IDP strategic objective – Exp.....	52

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20
term

Table 25 MBRR Table SA6 – Reconciliation between IDP strategic objective – Capex.....	51
Table 26 MBRR Table SA7 – Measurable performance objective	52
Table 27 – Table 42	53-65

Abbreviations and Acronyms

<i>AMR</i>	<i>Automated Meter Reading</i>	<i>KPI</i>	<i>Key Performance Indicator</i>
<i>ASGISA</i>	<i>Accelerated and Shared Growth Initiative</i>	<i>LED</i>	<i>Local Economic Development</i>
<i>BPC</i>	<i>Budget Planning Committee</i>	<i>MEC</i>	<i>Member of the Executive Committee</i>
<i>CFO</i>	<i>Chief Financial Officer</i>	<i>MFMA</i>	<i>Municipal Financial Management Act Programme</i>
<i>CM</i>	<i>City Manager</i>	<i>MIG</i>	<i>Municipal Infrastructure Grant</i>
<i>CPI</i>	<i>Consumer Price Index</i>	<i>MMC</i>	<i>Member of Mayoral Committee</i>
<i>CRRF</i>	<i>Capital Replacement Reserve Fund</i>	<i>MPRA</i>	<i>Municipal Properties Rates Act</i>
<i>DBSA</i>	<i>Development Bank of South Africa</i>	<i>MSA</i>	<i>Municipal Systems Act</i>
<i>DORA</i>	<i>Division of Revenue Act</i>	<i>MTEF</i>	<i>Medium-term Expenditure Framework</i>
<i>EE</i>	<i>Employment Equity</i>	<i>MTREF</i>	<i>Medium-term Revenue and Expenditure Framework</i>
<i>EM</i>	<i>Executive Mayor</i>	<i>NGO</i>	<i>Non-Governmental organisations</i>
<i>FBS</i>	<i>Free basic services</i>	<i>NKPIs</i>	<i>National Key Performance Indicators</i>
<i>GAMAP</i>	<i>Generally Accepted Municipal Accounting Practice</i>	<i>OHS</i>	<i>Occupational Health and Safety</i>
<i>GDP</i>	<i>Gross domestic product</i>	<i>OP</i>	<i>Operational Plan</i>
<i>GFS</i>	<i>Government Financial Statistics</i>	<i>PMS</i>	<i>Performance Management System</i>
<i>GRAP</i>	<i>General Recognised Accounting Practice</i>	<i>PPE</i>	<i>Property Plant and Equipment</i>
<i>HR</i>	<i>Human Resources</i>	<i>PTIS</i>	<i>Public Transport Infrastructure System</i>
<i>HSRC</i>	<i>Human Science Research Council</i>	<i>SALGA</i>	<i>South African Local Government Association</i>
<i>IDP</i>	<i>Integrated Development Strategy</i>	<i>SAPS</i>	<i>South African Police Service</i>
<i>IT</i>	<i>Information Technology</i>	<i>SDBIP</i>	<i>Service Delivery Budget Implementation Plan</i>
<i>KM</i>	<i>Kilometre</i>	<i>SMME</i>	<i>Small Micro and Medium Enterprises</i>
<i>KPA</i>	<i>Key Performance Area</i>		

Part 1 – Annual Budget

1.1 Mayor's Budget Speech

Honorable Speaker – Cllr BW Zulu

Honorable Deputy Mayor – Cllr AN Xulu

Honorable Members of the Executive Committee

Honorable Councillors

Acting Municipal Manager – Mrs.NHM Dladla

Heads of Department

Ladies and Gentlemen

I am honored to present to you the Final budget for 2019/20 financial year. I am hopeful that you will positively engage this budget with progressive ideas aimed at shaping the future and sustainability of Nongoma Municipality.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Nongoma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the **municipality's financial plan** is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2019/20 budget was prepared under challenging circumstances. It has taken a lot of effort and creativity to balance this budget. What we have tried to achieve with this year's budget is to meet the obligations of the municipality towards its electorate – you the voter, you the

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

community member of Nongoma. To bring the best services to you with the financial resources we have is a mammoth task. However working together we can do more.

Mr Speaker, it is acknowledged that while the municipality is not a profit-making institution it must be maintained and managed as a going concern; therefore we cannot do without increasing the cost of service.

Mister Speaker, we table several documents to the sitting of Council. We are aware that this is a huge volume but we do it to show transparency on how this budget was arrived at and the benefits to be derived by our community from the municipality's programmes.

Mister Speaker, listed below are the highlights of the 2019/20 MTREF Budget:

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Total Revenue (excluding capital transfers and contributions)		154,996	152,373	176,134	173,694	174,244	174,244	174,244	197,930	206,821	218,887
Total Expenditure		142,988	167,255	192,135	164,775	170,204	170,204	170,204	190,087	203,448	214,646
Surplus/(Deficit) Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		12,008	(14,882)	(16,001)	8,920	4,040	4,040	4,040	7,843	3,372	4,241
Surplus/(Deficit) for the year		47,505	44,456	57,542	46,286	46,286	46,286	46,286	39,873	42,428	44,828
		59,513	29,573	41,541	55,206	50,326	50,326	50,326	47,716	45,800	49,069

Emanating from the budget highlights above, the following are the revenue and expenditure detailed budget highlights:

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

a) Detailed operating revenue

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	18,230	19,507	20,848	22,995	22,995	22,995	22,995	25,537	26,865	28,262
Service charges - refuse revenue	2	1,685	1,723	1,824	2,018	2,018	2,018	2,018	2,123	2,234	2,350
Rental of facilities and equipment		60	167	192	246	246	246	246	277	292	308
Interest earned - external investments		1,814	1,663	1,556	1,940	1,940	1,940	1,940	2,041	2,147	2,259
Interest earned - outstanding debtors		-	2,444	3,160	1,100	2,600	2,600	2,600	2,735	2,877	3,027
Fines, penalties and forfeits		2,401	268	294	324	324	324	324	346	367	389
Licences and permits		768	869	875	888	888	888	888	945	1,003	1,062
Transfers and subsidies		129,307	124,718	131,985	142,909	141,959	141,959	141,959	162,773	169,827	179,993
Other revenue	2	730	1,014	15,399	1,273	1,273	1,273	1,273	1,153	1,208	1,238
Total Revenue (excluding capital transfers and contributions)		154,996	152,373	176,134	173,694	174,244	174,244	174,244	197,930	206,821	218,887

b) Detailed operating expenditure

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type											
Employee related costs	2	67,661	73,795	84,112	83,215	83,215	83,215	83,215	89,491	96,261	103,167
Remuneration of councilors		12,495	13,185	13,815	14,822	14,822	14,822	14,822	15,487	16,323	17,205
Debt impairment	3	1,807	3,977	2,326	1,736	1,736	1,736	1,736	1,000	1,052	1,107
Depreciation & asset impairment	2	10,396	16,389	17,931	4,916	4,916	4,916	4,916	9,599	10,098	10,623
Finance charges		129	142	243	200	60	60	60	500	526	553
Other materials	8		5,119	5,901	4,540	1,386	1,386	1,386	1,385	1,457	1,533
Contracted services		12,328	28,791	24,615	24,051	29,866	29,866	29,866	26,760	28,419	29,685
Transfers and subsidies		211	150	1,500	1,550	1,550	1,550	1,550	1,950	2,051	2,158
Other expenditure	4, 5	37,961	24,887	33,178	29,745	32,654	32,654	32,654	43,916	47,261	48,616
Total Expenditure		142,988	167,255	192,135	164,775	170,204	170,204	170,204	190,087	203,448	214,646

The municipality strengthened the human capital during the previous budgets through filling in critical positions. The employee related cost increased to R89.4 million and councillors allowances increased to R15.4 million.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Speaker, the R43.9 million for other expenditure is broken down as follows:

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
Audit fees					1,600	1,600	1,600	1,600	1,800	1,894	1,992
General expenses					24,887	33,178	10,207	10,207	10,207	18,938	21,740
<i>Advertising, Publicity and Marketing</i>	3				270	200	200	200	520	442	465
<i>Rentals Car Hire</i>					1,200	2,404	2,404	2,404	1,000	1,052	1,107
<i>Telephone (Cellphone)</i>					2,200	2,100	2,100	2,100	2,100	2,209	2,324
<i>Communication</i>					1,150	1,500	1,500	1,500	1,800	1,894	1,992
<i>External Computer Service</i>					290	290	290	290	270	284	299
<i>Hire Charges [Expenditure</i>					2,025	2,025	2,025	2,025	665	700	736
<i>Indigent Relief [Expenditure</i>					1,550	1,550	1,550	1,550	1,550	1,631	1,715
<i>Bursaries</i>					500	500	500	500	500	526	553
<i>Professional Bodies, Membership and Subscription</i>					100	100	100	100	2,343	1,815	1,876
<i>Remuneration to Ward Committees</i>					1,512	1,012	1,012	1,012	1,200	1,262	1,328
<i>Travel and Subsistence</i>					3,590	2,415	2,415	2,415	2,530	2,662	2,800
<i>Uniform and Protective Clothing</i>					308	1,050	1,050	1,050	1,570	1,652	1,738
<i>Wet Fuel</i>					1,200	1,200	1,200	1,200	1,600	1,683	1,771
<i>Insurance</i>					1,200	1,276	1,276	1,276	1,500	1,578	1,660
<i>Rewards Incentives</i>					40	40	40	40	30	32	33
<i>Office Equipment Rentals Operating lease</i>				37,961	2,385	2,185	2,185	2,185	4,000	4,208	4,427
<i>Other Expenditure</i>					7,525	—	—	—	—	—	—
Total 'Other' Expenditure	1	37,961	24,887	33,178	28,645	31,654	31,654	31,654	43,916	47,261	48,616

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

c) Capital Expenditure

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19			Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		36,109	41,672	58,613	54,786	50,036	50,036	45,873	42,428	44,828
Roads Infrastructure		30,109	39,393	43,613	39,786	35,036	35,036	37,873	33,494	35,828
Roads		30,109	39,393	43,613	39,786	35,036	35,036	37,873	33,494	35,828
Electrical Infrastructure		6,000	2,279	15,000	15,000	15,000	15,000	8,000	8,934	9,000
Capital Spares		6,000	2,279	15,000	15,000	15,000	15,000	8,000	8,934	9,000
Community Assets		–	–	4,487	–	–	–	–	–	–
Community Facilities		–	–	4,487	–	–	–	–	–	–
Halls		–	–	3,487	–	–	–	–	–	–
Testing Stations		–	–	1,000	–	–	–	–	–	–
Computer Equipment		350	145	–	290	290	290	933	158	–
Computer Equipment		350	145	–	290	290	290	933	158	–
Furniture and Office Equipment		569	4,890	989	130	–	–	210	–	–
Furniture and Office Equipment		569	4,890	989	130	–	–	210	–	–
Machinery and Equipment		–	–	–	–	–	–	700	4,464	4,278
Machinery and Equipment		–	–	–	–	–	–	700	4,464	4,278
Transport Assets		500	–	–	–	–	–	4,350	–	–
Transport Assets		500	–	–	–	–	–	4,350	–	–
Total Capital Expenditure on new assets	1	37,528	46,706	64,089	55,206	50,326	50,326	52,066	47,050	49,106

The capital programme is funded from national capital grants, borrowings and internally generated funds from current year surpluses. For 2019/20, capital transfers totals R52.0 million and decrease to R47.0 million by 2020/21 and increase to R49.1 in 2021/22.

A borrowing has been provided at R4.3 million in 2019/20 mainly for the acquisition of motor vehicles. Internal generated funding amount to R7.8 million, R5.5 million and R5.2 million for each of the respective financial years of the MTREF.

Break down for Capital Project

- Electrification projects R8 million
 - Construction of recreational facilities (Sports Fields) R1.6 Million,
 - Construction of rural roads R19.8 million
 - Street Light R2 million,
 - Construction of community crèches R9.2 million
 - Purchase of Furniture and Equipment R1.8 million
 - One gravel road, one sport field with the cost of R6 million to be funded by equitable share as per COGTA and Council recommendation.
 - Purchase of Municipal vehicles for all departments.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

The municipality will be implementing the expanded public works programme for an amount of R2.0 million as per the National Treasury allocation.

Tariffs

When revising tariffs and other charges, municipalities are urged to take into account the cost of rendering a service in order to ensure financial sustainability. In revising the tariffs we have taken into account the harsh economic realities of Nongoma. It is impossible to increase the tariffs beyond the inflation target of 5.2%. Municipalities are required to justify all increases in excess of the 5.2% upper boundary of the South African Reserve Bank's inflation target.

The municipality will be implementing the new general valuation roll in 2019/20 financial year. The market values of each property in the valuation roll has increased, this will then lead to high increases to the amounts charged to the rate payers which might lead to unaffordability. The municipality then took a decision not to increase the tariffs for 2019/20 financial year but rather have the new tariff model or structure that will accommodate both the needs of the consumers and those of the municipality while tariffs for other service charges have been increased by the same 5.2% for the 2019/20 financial year. This is per the budget preparation guideline provided in the MFMA budget circulars.

We will continue to provide free basic service to poor and indigent households and therefore we urge those households which qualify for indigent and other support to come forward and register for a subsidy.

Mr Speaker, allow me to confirm that although we want to do far more than the mentioned elements as well as everything that is captured in this budget, we cannot do everything in one year or even in two years but we will strive to ensure that the needs of our community are fulfilled.

In conclusion, Mr Speaker, I can without doubt state that the proposed 2019/20 multi-year budget attempts to support the role of Nongoma Municipality and will definitely contribute to poverty alleviation and improving the lives of the community.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

I want to pay special gratitude to the Councillors of Nongoma, the Acting Municipal Manager Mrs NHM Dladla, the Heads of Departments and all the staff of Nongoma, for the good work they did in producing this budget. It will improve the lives of the people.

I thank you

Hon Councillor M.A Mncwango

Mayor of Nongoma Municipality.

1.2 Council Resolutions

On 30 May 2019 the Council of the Municipality met in the Council Chambers of Nongoma Municipality to consider the Final budget of the municipality for the financial year 2019/20. The Council approved and adopted the following resolutions:

1. The Council of Nongoma Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
 - 1.1. The annual budget of the municipality for the financial year 2019/20 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 10.
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 11;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 12; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 13.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 14;

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

- 1.2.2. Budgeted Cash Flows as contained in Table15;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 16;
 - 1.2.4. Asset management as contained in Table 17; and
 - 1.2.5. Basic service delivery measurement as contained in Table 18.
 - 1.2.6. Budget related policies
 - 1.2.7. The service level standards
2. The Council of Nongoma Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2019:
 - 2.1. the tariffs for property rates .
 3. The Council of Nongoma Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2019 the tariffs for other services.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 93 and 94 that were used to guide the compilation of the 2019/20 MTREF tabled.

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.

Table 1 Overview of the 2019/20 MTREF

Description R thousand	Ref 1					Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Revenue By Source												
Total Revenue (excluding capital transfers and contributions)		154,996	152,373	176,134	173,694	174,244	174,244	174,244	197,930	206,821	218,887	
Total Expenditure		142,988	167,255	192,135	164,775	170,204	170,204	170,204	190,087	203,448	214,646	
Surplus/(Deficit)		12,008	(14,882)	(16,001)	8,920	4,040	4,040	4,040	7,843	3,372	4,241	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		47,505	44,456	57,542	46,286	46,286	46,286	46,286	39,873	42,428	44,828	
Surplus/(Deficit) for the year		59,513	29,573	41,541	55,206	50,326	50,326	50,326	47,716	45,800	49,069	

Total operating revenue has increased to R197.9 million for the 2019/20 financial year when compared to the 2018/19 Adjustments Budget. For the two outer years, operational revenue will increase by 4% and increased by 5% in 2020/22, equating to a total revenue growth of 13.5% when compared with 2018/19 adjustment budget.

Total operating expenditure for the 2019/20 financial year has been appropriated at R190.0 million and translates into a budgeted surplus of R7.8 million. When compared to the 2018/19

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Adjustments Budget, operational expenditure has grown by 11% in the 2019/20 budget and by 7% in 2020/21 and 5% in 2021/22. The surpluses of R7.8 million, R3.3 million and R4.2 million in 2019/20, 2020/21 and 2021/22 respectively can be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R39.8 million for 2019/20 is 16 per cent less when compared to the 2018/19 Adjustment Budget. The capital programme increases to R42.4 million in the 2020/21 financial year and increases to R44.8 million in 2021/22. A substantial portion of the capital budget will be funded from conditional grants over the MTREF.

1.4 Operating Revenue and Expenditure Framework

For the Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure an annual collection rate of not less than 70% for property rates and other key service charges;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	18,230	19,507	20,848	22,995	22,995	22,995	22,995	25,537	26,865	28,262
Service charges - refuse revenue	2	1,685	1,723	1,824	2,018	2,018	2,018	2,018	2,123	2,234	2,350
Rental of facilities and equipment		60	167	192	246	246	246	246	277	292	308
Interest earned - external investments		1,814	1,663	1,556	1,940	1,940	1,940	1,940	2,041	2,147	2,259
Interest earned - outstanding debtors		–	2,444	3,160	1,100	2,600	2,600	2,600	2,735	2,877	3,027
Fines, penalties and forfeits		2,401	268	294	324	324	324	324	346	367	389
Licences and permits		768	869	875	888	888	888	888	945	1,003	1,062
Transfers and subsidies		129,307	124,718	131,985	142,909	141,959	141,959	141,959	162,773	169,827	179,993
Other revenue	2	730	1,014	15,399	1,273	1,273	1,273	1,273	1,153	1,208	1,238
Total Revenue (excluding capital transfers and contributions)		154,996	152,373	176,134	173,694	174,244	174,244	174,244	197,930	206,821	218,887

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue transfers recognized forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 13 per cent of the total revenue mix. In the 2019/20 financial year, revenue from rates and services charges totalled R27.6 million. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 13 per cent or R25.5 million rand and increases to R26.8 million by 2020/21. The third largest sources is ‘other revenue’ which consists of various items such as income received from permits and licenses, interest on investments, fines , rentals of facilities building plan fees and other fees. The Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R162.7 million in the 2019/20 financial year and increases to R169.8 million and R179.9 in 2020/21 and 2021/22 respectively.

Table 3 Operating Transfers and Grant Receipts

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:										
Operating Transfers and Grants	1, 2									
National Government:										
Local Government Equitable Share		128,397	123,980	131,076	140,318	140,318	140,318	158,492	166,403	177,362
Finance Management		124,217	121,046	128,137	136,733	136,733	136,733	154,506	164,433	175,392
Municipal Systems Improvement		1,800	1,825	1,900	1,970	1,970	1,970	1,970	1,970	1,970
EPWP Incentive		930	—	—	—	—	—	—	—	—
Provincial Government:		1,450	1,109	1,039	1,615	1,615	1,615	2,016	—	—
Provincialisation of Libraries		850	738	771	2,591	1,641	1,641	4,281	3,424	2,581
Community Library Services		553	559	583	838	838	838	880	924	975
Sports Fields Maintenance		170	179	188	753	753	753	1,401	1,500	1,606
Schemes Support Programme		—	—	—	50	50	50	—	—	—
Spatial Development Framework		127	—	—	1,000	—	—	2,000	—	—
Total Operating Transfers and Grants	5	129,246	124,718	131,847	142,909	141,959	141,959	162,773	169,827	179,943

Municipal tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective Property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate a 30 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

The category of rate-able properties for purposes of levying rates and the proposed rates for the 2019/20 financial year is contained below:

Table 4 Comparison of proposed rates to be levied for the 2019/20 financial year:

Category	Proposed Tariff (1 July 2019) C
Agricultural Properties	0.00276
Business, Commercial Properties	0.0324
Communal Property	Nil
Industrial Property	0.0324
Mining Property	0.0324
Multiple Purpose property	0.0324
Municipal Property	Nil
Places of worship	Nil
Public Benefit Organisations	Nil
Public Service Infrastructure	0.00276
Public Service Purposes	0.01401
Residential (Rebate 30%)	0.01128
Specialised Properties	0.01501
Vacant Land Residential	0.01501
Vacant Land Business	0.01501

1.4.2 Waste Removal and Impact of Tariff Increases

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20
term

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles and equipment, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 5.2% increase in the waste removal tariff is proposed from 1 July 2019. Any increase higher than 5.2% would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2019:

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 5 Comparison between current waste removal fees and increases

Category	Proposed Tariff (1 July 2019)
	R
Domestic Consumers	118.87
Business:	
- Bulk	4119.47
- Small	497
Governmental Institutions:	
- Hospitals/Clinics	3 652
- Educational	3 652
- Other	3 652
Hall Rental (Refundable Deposit of R300)	2530
Billboards	729

Table 6 Summary of operating expenditure by standard classification item

Description	Ref	Current Year 2018/19							2019/20 Medium Term Revenue &		
		2015/16	2016/17	2017/18	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type											
Employee related costs	2	67,661	73,795	84,112	83,215	83,215	83,215	83,215	89,491	96,261	103,167
Remuneration of councillors		12,495	13,185	13,815	14,822	14,822	14,822	14,822	15,487	16,323	17,205
Debt impairment	3	1,807	3,977	2,326	1,736	1,736	1,736	1,736	1,000	1,052	1,107
Depreciation & asset impairment	2	10,396	16,389	17,931	4,916	4,916	4,916	4,916	9,599	10,098	10,623
Finance charges		129	142	243	200	60	60	60	500	526	553
Other materials	8		5,119	5,901	4,540	1,386	1,386	1,386	1,385	1,457	1,533
Contracted services		12,328	28,791	24,615	24,051	29,866	29,866	29,866	26,760	28,419	29,685
Transfers and subsidies		211	150	1,500	1,550	1,550	1,550	1,550	1,950	2,051	2,158
Other expenditure	4, 5	37,961	24,887	33,178	29,745	32,654	32,654	32,654	43,916	47,261	48,616
Total Expenditure		142,988	167,255	192,135	164,775	170,204	170,204	170,204	190,087	203,448	214,646

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

The budgeted allocation for employee related costs for the 2019/20 financial year totals R89.4 million, which equals 47% of the total operating expenditure. The employee cost has increased by 6% as per the collective agreement.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). A percentage increase of 6% has been factored into the budget for this financial year.

The provision of debt impairment was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Municipality. For the 2019/20 financial year this amount equates to R1 million and increases up to R1.0 million by 2021/22. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate for asset consumption. Budget appropriations in this regard total R9.5 million for the 2019/20 financial year and equates to 5% of the total operating expenditure. Note that the municipality implemented GRAP 17 accounting standard in 2008/09 and brought a range of assets previously not included in the assets register onto the register. This resulted in a significant increase in depreciation relative to previous years and going forward.

Contracted services comprise budgeted expenditure In the 2019/20 financial year of totals R26.7 million .For the two outer years increased to R28.4 and R29.6 million respectively, the schedule of contracted services is broken down in the budget supporting table named as SA1.

Transfers and grants of R1.9 million relates to the provision for 50kW free basic electricity (FBE).

Other expenditure comprises various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget has been limited to R43.9 million for 2019/20 and R47.2 million and R48.6 million for the two outer years.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

1.4.3 Priority given to repairs and maintenance

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 7 Operational repairs and maintenance

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		-	-	-	1,100	2,000	2,000	2,100	2,209	2,324
Roads Infrastructure		-	-	-	1,100	2,000	2,000	2,100	2,209	2,324
Roads					1,100	2,000	2,000	2,100	2,209	2,324
Other assets		-	-	1,500	700	1,800	1,800	2,579	2,713	2,854
Operational Buildings		-	-	1,500	700	1,800	1,800	2,579	2,713	2,854
Municipal Offices				1,500	700	1,800	1,800	2,579	2,713	2,854
Computer Equipment		-	-	107	-	-	-	50	53	55
Computer Equipment				107	-	-	-	50	53	55
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment				-	-	-	-	-	-	-
Machinery and Equipment		-	-	2,261	130	-	-	80	84	89
Machinery and Equipment				2,261	130	-	-	80	84	89
Transport Assets		-	-	-	500	1,000	1,000	1,000	1,052	1,107
Transport Assets				-	500	1,000	1,000	1,000	1,052	1,107
Total Repairs and Maintenance Expenditure	1	-	-	3,868	2,430	4,800	4,800	5,809	6,111	6,428

The infrastructure relating to electricity, water and sanitation is the responsibility of the District Municipality. The total allocation for 2019/20 equates to R5.8 million, R6.1 million and R6.4 million for 2020/21 and 2021/22 respectively. In relation to the total operating expenditure, repairs and maintenance comprises of 3% for 2019/20 and also 3% for the two outer years of the MTREF. The municipality is in a process of phasing in of enough budget for repairs and maintenance to reach the minimum required norm of 8%.

1.4.4 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 80 000 or more indigent households during the 2019/20 financial year, a process is reviewed annually. Details

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20
term

relating to free services, cost of free basis services as well as basic service delivery measurement is contained in Table21 SA10 (Basic Service Delivery Measurement) on page 30.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 8 2019/2020 Medium-term capital budget per vote

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		36,109	41,672	58,613	54,786	50,036	50,036	45,873	42,428	44,828
Roads Infrastructure		30,109	39,393	43,613	39,786	35,036	35,036	37,873	33,494	35,828
Roads		30,109	39,393	43,613	39,786	35,036	35,036	37,873	33,494	35,828
Electrical Infrastructure		6,000	2,279	15,000	15,000	15,000	15,000	8,000	8,934	9,000
Capital Spares		6,000	2,279	15,000	15,000	15,000	15,000	8,000	8,934	9,000
Community Assets		-	-	4,487	-	-	-	-	-	-
Community Facilities		-	-	4,487	-	-	-	-	-	-
Halls				3,487						
Testing Stations				1,000						
Computer Equipment		350	145	-	290	290	290	933	158	-
Computer Equipment		350	145	-	290	290	290	933	158	-
Furniture and Office Equipment		569	4,890	989	130	-	-	210	-	-
Furniture and Office Equipment		569	4,890	989	130	-	-	210	-	-
Machinery and Equipment		-	-	-	-	-	-	700	4,464	4,278
Machinery and Equipment		-	-	-	-	-	-	700	4,464	4,278
Transport Assets		500	-	-	-	-	-	4,350	-	-
Transport Assets		500	-	-	-	-	-	4,350	-	-
Total Capital Expenditure on new assets	1	37,528	46,706	64,089	55,206	50,326	50,326	52,066	47,050	49,106

The capital programme is funded from national capital grants, borrowings and internally generated funds from current year surpluses. For 2019/20, capital transfers totals R52.0 million and decrease to R47.0 million by 2020/21 and increase to R49.1 in 2021/22.

A borrowing has been provided at R4.3 million in 2019/20 mainly for the acquisition of motor vehicles. Internal generated funding amounts to R7.8 million, R5.5 million and R5.2 million for each of the respective financial years of the MTREF.

Break down for Capital Project

- Electrification projects to the value of R8 million
- Construction of recreational facilities (Sports Fields)-R1.6 Million,
- Construction of rural roads-R19.8 million
- Street Light R2 million,
- Construction of community crèches –R9.2 million
- Purchase of Furniture and Equipment R1.8 million
- One gravel road, one sport field with the cost of R6 million to be funded by equitable share as per COGTA and Council recommendation.
- Purchase of Municipal vehicles for all departments.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20
term

1.6 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 9 MBRR Table A1 - Budget Summary

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Description R thousands	2015/16	2016/17	2017/18	Current Year 2018/19				Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Financial Performance										
Property rates	18,230	19,507	20,848	22,995	22,995	22,995	22,995	25,537	26,865	28,262
Service charges	1,685	1,723	1,674	518	518	518	2,018	573	603	635
Investment revenue	1,814	1,663	1,556	1,940	1,940	1,940	1,940	2,041	2,147	2,259
Transfers recognised - operational	129,307	124,718	131,985	142,909	141,959	141,959	141,959	162,773	169,827	179,993
Other own revenue	3,959	4,762	19,920	3,831	5,331	5,331	5,331	5,456	5,748	6,023
Total Revenue (excluding capital transfers and contributions)	154,996	152,373	175,984	172,194	172,744	172,744	174,244	196,380	205,190	217,172
Employee costs	67,661	73,795	84,112	83,139	83,215	83,215	83,215	89,491	96,261	103,167
Remuneration of councillors	12,495	13,185	13,815	14,822	14,822	14,822	14,822	15,487	16,323	17,205
Depreciation & asset impairment	10,396	16,389	17,931	4,916	4,916	4,916	4,916	9,599	10,098	10,623
Finance charges	129	142	243	200	60	60	60	500	526	553
Materials and bulk purchases	—	5,119	5,901	4,540	1,386	1,386	1,386	1,385	1,457	1,533
Transfers and grants	211	150	1,500	1,550	1,550	1,550	1,550	1,950	2,051	2,158
Other expenditure	52,096	58,475	68,633	55,532	64,256	64,256	64,256	71,675	76,732	79,407
Total Expenditure	142,988	167,255	192,135	164,699	170,204	170,204	170,204	190,087	203,448	214,646
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial	12,008	(14,882)	(16,151)	7,495	2,540	2,540	4,040	6,293	1,742	2,526
Contributions recognised - capital & contributed assets	47,505	44,456	57,542	46,286	46,286	46,286	46,286	39,873	42,428	44,828
Surplus/(Deficit) after capital transfers & contributions	59,513	29,573	41,391	53,781	48,826	48,826	50,326	46,166	44,170	47,354
Surplus/(Deficit) for the year	59,513	29,573	41,391	53,781	48,826	48,826	50,326	46,166	44,170	47,354
Capital expenditure & funds sources										
Capital expenditure	37,178	46,706	64,089	55,206	50,326	50,326	50,326	52,066	47,973	50,044
Transfers recognised - capital	35,718	41,672	58,378	46,286	46,286	46,286	46,286	39,873	42,428	44,828
Borrowing	—	—	—	—	—	—	—	4,350	—	—
Internally generated funds	1,460	5,034	5,711	8,920	4,040	4,040	4,040	7,843	5,545	5,216
Total sources of capital funds	37,178	46,706	64,089	55,206	50,326	50,326	50,326	52,066	47,973	50,044
Financial position										
Total current assets	32,994	31,809	40,053	32,577	32,232	32,232	45,067	51,744	59,688	69,588
Total non current assets	297,421	335,409	362,614	335,363	335,363	335,363	407,633	450,185	487,920	527,296
Total current liabilities	16,209	28,529	25,892	17,135	17,135	17,135	17,135	17,000	16,000	14,500
Total non current liabilities	9,385	3,185	3,322	6,543	6,543	6,543	6,543	14,393	15,898	13,439
Community wealth/Equity	304,821	335,505	373,453	344,261	343,916	343,916	429,021	470,536	515,709	568,944
Cash flows										
Net cash from (used) operating	41,214	43,910	44,210	52,584	45,715	45,715	45,715	47,039	48,562	52,082
Net cash from (used) investing	(49,547)	(46,724)	(45,849)	(55,206)	(44,331)	(44,331)	(44,331)	(47,716)	(47,973)	(50,044)
Net cash from (used) financing	(799)	(54)	103	—	—	—	—	(1,591)	(1,591)	(1,591)
Cash/cash equivalents at the year end	6,545	3,678	2,142	3,870	3,526	3,526	3,526	3,390	387	835
Cash backlog/surplus reconciliation										
Cash and investments available	6,854	3,678	2,142	3,870	3,525	3,525	3,525	1,390	387	835
Application of cash and investments	(4,122)	3,104	(1,214)	(3,511)	(4,862)	(4,862)	(13,086)	(17,840)	(22,130)	(28,261)
Balance - surplus (shortfall)	10,976	574	3,356	7,381	8,387	8,387	16,611	19,230	22,517	29,096
Asset management										
Asset register summary (WDV)	—	319,530	319,531	335,363	335,363	335,363	335,363	—	—	—
Depreciation	10,396	16,389	17,931	4,916	4,916	4,916	4,916	9,599	10,098	10,623
Renewal and Upgrading of Existing Assets	—	—	—	—	—	—	—	—	—	—
Repairs and Maintenance	—	—	3,868	2,430	4,800	4,800	4,800	5,809	6,111	6,428
Free services										
Cost of free Basic Services provided	—	—	150	1,500	1,500	1,500	1,550	1,550	1,631	1,715
Revenue cost of free services provided	—	—	—	447	447	447	540	540	568	597

Explanatory notes to Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation (Table A9) shows that in previous financial years many of the municipal obligations were not cash-backed. This placed the municipality in a very vulnerable financial position, as the revenue collections were at a low level. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Functional Classification Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue - Functional										
<i>Governance and administration</i>		148,497	147,280	158,077	165,665	167,167	167,167	187,603	197,129	209,739
Executive and council		–	–	–	–	–	–	–	–	–
Finance and administration		148,497	147,280	158,077	165,665	167,167	167,167	187,603	197,129	209,739
<i>Community and public safety</i>		910	1,384	29,331	2,351	2,401	2,401	3,105	3,289	3,458
Community and social services		910	944	29,061	2,031	2,031	2,031	2,764	2,927	3,075
Sport and recreation		–	–	–	50	50	50	–	–	–
Public safety		–	440	270	320	319	319	341	362	383
<i>Economic and environmental services</i>		48,955	45,587	43,526	34,060	33,058	33,058	36,028	36,659	38,106
Planning and development		–	68	148	1,159	157	157	2,139	1,044	47
Road transport		48,955	45,519	43,378	32,901	32,901	32,901	33,889	35,615	38,059
<i>Trading services</i>		1,685	1,790	1,904	17,018	17,018	17,018	10,123	11,168	11,350
Energy sources		–	–	–	15,000	15,000	15,000	8,000	8,934	9,000
Waste management		1,685	1,790	1,904	2,018	2,018	2,018	2,123	2,234	2,350
<i>Other</i>	4	2,454	787	838	886	886	886	945	1,003	1,062
Total Revenue - Functional	2	202,501	196,829	233,676	219,980	220,530	220,530	237,803	249,249	263,715
Expenditure - Functional										
<i>Governance and administration</i>		80,561	93,420	107,769	89,698	95,879	95,879	115,136	129,499	135,727
Executive and council		34,424	36,611	37,704	29,651	34,001	34,001	38,241	40,896	43,215
Finance and administration		46,138	56,810	70,066	60,048	61,877	61,877	76,895	88,603	92,512
<i>Community and public safety</i>		23,597	34,557	47,717	35,737	35,342	35,342	39,719	42,078	44,885
Community and social services		18,240	26,274	39,282	27,883	26,809	26,809	29,249	31,092	33,120
Public safety		5,357	8,282	8,435	7,855	8,533	8,533	10,469	10,986	11,764
<i>Economic and environmental services</i>		18,638	23,313	21,826	25,799	25,044	25,044	23,100	18,818	20,041
Planning and development		9,692	9,235	13,114	13,964	10,859	10,859	10,324	7,461	7,951
Road transport		8,947	14,077	8,712	11,835	14,185	14,185	12,777	11,357	12,090
<i>Trading services</i>		12,276	11,944	12,453	10,921	11,321	11,321	8,813	9,483	10,166
Waste management		12,276	11,944	12,453	10,921	11,321	11,321	8,813	9,483	10,166
<i>Other</i>	4	7,915	4,021	2,370	2,619	2,619	2,619	3,318	3,570	3,828
Total Expenditure - Functional	3	142,988	167,255	192,135	164,775	170,204	170,204	190,087	203,448	214,646
Surplus/(Deficit) for the year		59,513	29,573	41,541	55,206	50,326	50,326	47,716	45,800	49,069

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile ‘whole of government’ reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4 on page 26.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote	1									
Vote 1 - Governance and Administration		–	–	–	–	–	–	–	–	–
Vote 2 - Financial Service		148,497	146,737	170,411	165,090	166,592	166,592	186,997	196,493	209,069
Vote 3 - Corporate Services		–	543	543	575	575	575	605	637	670
Vote 4 - Sport, Recreation and Community Services		910	944	1,183	2,031	2,081	2,081	2,764	2,927	3,075
Vote 5 - Economic and Environmental Services		48,955	45,587	58,526	49,060	48,058	48,058	44,028	45,593	47,106
Vote 6 - Transport and Roads		768	787	838	886	886	886	945	1,003	1,062
Vote 7 - Safety and Security		–	440	270	320	319	319	341	362	383
Vote 8 - Solid Waste Management		1,685	1,790	1,904	2,018	2,018	2,018	2,123	2,234	2,350
Vote 9 - Tourism		1,685	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	202,501	196,829	233,676	219,980	220,530	220,530	237,803	249,249	263,715
Expenditure by Vote to be appropriated	1									
Vote 1 - Governance and Administration		34,424	36,611	37,704	29,651	34,001	34,001	38,241	40,896	43,215
Vote 2 - Financial Service		28,070	31,860	38,355	33,372	36,314	36,314	43,784	53,418	55,182
Vote 3 - Corporate Services		18,067	25,674	31,960	26,676	25,564	25,564	33,111	35,185	37,330
Vote 4 - Sport, Recreation and Community Services		18,240	26,274	39,408	27,883	26,808	26,808	29,249	31,092	33,120
Vote 5 - Economic and Environmental Services		15,753	23,313	20,142	24,056	23,301	23,301	21,329	16,943	18,056
Vote 6 - Transport and Roads		10,801	3,297	3,679	4,362	4,362	4,362	4,633	4,954	5,285
Vote 7 - Safety and Security		5,357	8,282	8,435	7,855	8,533	8,533	10,469	10,986	11,764
Vote 8 - Solid Waste Management		12,276	11,944	12,453	10,921	11,321	11,321	8,813	9,483	10,166
Vote 9 - Tourism		–	–	–	–	–	–	457	492	527
Total Expenditure by Vote	2	142,988	167,255	192,135	164,775	170,204	170,204	190,087	203,448	214,646
Surplus/(Deficit) for the year	2	59,513	29,573	41,541	55,206	50,326	50,326	47,716	45,800	49,069

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the waste management services.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	18,230	19,507	20,848	22,995	22,995	22,995	22,995	25,537	26,865	28,262
Service charges - refuse revenue	2	1,685	1,723	1,824	2,018	2,018	2,018	2,018	2,123	2,234	2,350
Rental of facilities and equipment		60	167	192	246	246	246	246	277	292	308
Interest earned - external investments		1,814	1,663	1,556	1,940	1,940	1,940	1,940	2,041	2,147	2,259
Interest earned - outstanding debtors		-	2,444	3,160	1,100	2,600	2,600	2,600	2,735	2,877	3,027
Fines, penalties and forfeits		2,401	268	294	324	324	324	324	346	367	389
Licences and permits		768	869	875	888	888	888	888	945	1,003	1,062
Transfers and subsidies		129,307	124,718	131,985	142,909	141,959	141,959	141,959	162,773	169,827	179,993
Other revenue	2	730	1,014	15,399	1,273	1,273	1,273	1,273	1,153	1,208	1,238
Total Revenue (excluding capital transfers and contributions)		154,996	152,373	176,134	173,694	174,244	174,244	174,244	197,930	206,821	218,887
Expenditure By Type											
Employee related costs	2	67,661	73,795	84,112	83,215	83,215	83,215	83,215	89,491	96,261	103,167
Remuneration of councillors		12,495	13,185	13,815	14,822	14,822	14,822	14,822	15,487	16,323	17,205
Debt impairment	3	1,807	3,977	2,326	1,736	1,736	1,736	1,736	1,000	1,052	1,107
Depreciation & asset impairment	2	10,396	16,389	17,931	4,916	4,916	4,916	4,916	9,599	10,098	10,623
Finance charges		129	142	243	200	60	60	60	500	526	553
Other materials	8		5,119	5,901	4,540	1,386	1,386	1,386	1,385	1,457	1,533
Contracted services		12,328	28,791	24,615	24,051	29,866	29,866	29,866	26,760	28,419	29,685
Transfers and subsidies		211	150	1,500	1,550	1,550	1,550	1,550	1,950	2,051	2,158
Other expenditure	4, 5	37,961	24,887	33,178	29,745	32,654	32,654	32,654	43,916	47,261	48,616
Total Expenditure		142,988	167,255	192,135	164,775	170,204	170,204	170,204	190,087	203,448	214,646
Surplus/(Deficit)		12,008	(14,882)	(16,001)	8,920	4,040	4,040	4,040	7,843	3,372	4,241
Surplus/(Deficit) for the year		47,505	44,456	57,542	46,286	46,286	46,286	46,286	39,873	42,428	44,828
		59,513	29,573	41,541	55,206	50,326	50,326	50,326	47,716	45,800	49,069

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R197.9 million in 2019/20 and increases to R206.8 million by 2021/22.
2. Revenue to be generated from property rates is R25.5 million in the 2019/20 financial year which represents 14% of the operating revenue base of the Municipality and R26.8 million by 2020/21.
3. Services charges relating to refuse removal constitutes 1.1% or R2.1 million of the operating revenue budget for the 2019/20 financial year and increasing to R2.2 million by 2020/21.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. In 2019/20 is equal to R162.7 and increases to R169.8 and R179.9 million in two outer years respectively.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

5. Employee related cost is the main cost-driver within the municipality. Salaries and wages have increased significantly over the 2019/20 to 2021/22 period escalating from R104.3 million to R112.5 million including remuneration of councillors.
6. General expenses have increased from R32.6 million in 2018/19 to R43.9 in 2019/20.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2	36,068	46,561	60,928	54,786	50,036	50,036	50,036	45,873	42,428	44,828
Vote 5 - Economic and Environmental Services											
Capital multi-year expenditure sub-total	7	36,068	46,561	60,928	54,786	50,036	50,036	50,036	45,873	42,428	44,828
Single-year expenditure to be appropriated											
Vote 1 - Governance and Administration		569	—	—	—	—	—	—	1,920	—	—
Vote 2 - Financial Service		41	145	93	30	—	—	—	104	5,545	5,216
Vote 3 - Corporate Services		500	—	368	390	290	290	290	1,376	—	—
Vote 4 - Sport, Recreation and Community Services		350	—	700	—	—	—	—	295	—	—
Vote 5 - Economic and Environmental Services		—	—	—	—	—	—	—	920	—	—
Vote 7 - Safety and Security		—	—	1,000	—	—	—	—	1,328	—	—
Vote 8 - Solid Waste Management		—	—	1,000	—	—	—	—	250	—	—
Capital single-year expenditure sub-total		1,460	145	3,161	420	290	290	290	6,193	5,545	5,216
Total Capital Expenditure - Vote		37,528	46,706	64,089	55,206	50,326	50,326	50,326	52,066	47,973	50,044
Capital Expenditure - Functional											
Governance and administration		1,110	145	2,011	420	290	290	290	3,400	5,545	5,216
Executive and council		569	—	—	—	—	—	—	1,920	—	—
Finance and administration		541	145	2,011	420	290	290	290	1,480	5,545	5,216
Community and public safety		—	—	1,700	—	—	—	—	1,623	—	—
Community and social services		—	—	700	—	—	—	—	295	—	—
Public safety		—	—	1,000	—	—	—	—	1,328	—	—
Economic and environmental services		36,068	46,561	59,378	54,786	35,036	35,036	35,036	38,793	33,494	35,828
Planning and development		—	4,890	1,000	—	—	—	—	—	—	—
Road transport		36,068	41,672	58,378	54,786	35,036	35,036	35,036	38,793	33,494	35,828
Trading services		—	—	1,000	—	15,000	15,000	15,000	8,250	8,934	9,000
Energy sources		—	—	—	—	15,000	15,000	15,000	8,000	8,934	9,000
Waste management		—	—	1,000	—	—	—	—	250	—	—
Total Capital Expenditure - Functional	3	37,178	46,706	64,089	55,206	50,326	50,326	50,326	52,066	47,973	50,044
Funded by:											
National Government		35,718	41,672	58,378	46,286	46,286	46,286	46,286	39,873	42,428	44,828
Transfers recognised - capital	4	35,718	41,672	58,378	46,286	46,286	46,286	46,286	39,873	42,428	44,828
Borrowing	6	—	—	—	—	—	—	—	4,350	—	—
Internally generated funds		1,460	5,034	5,711	8,920	4,040	4,040	4,040	7,843	5,545	5,216
Total Capital Funding	7	37,178	46,706	64,089	55,206	50,326	50,326	50,326	52,066	47,973	50,044

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2019/20 R39.7 million has been allocated of the total R52.0 million capital budget. This allocation increases to R47.9 million

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

in 2020/21 and then increases again to R50.0 million in 2021/22 owing primarily to the fact that new projects will be commenced during the next two financial years.

3. Single-year capital expenditure has been appropriated at R6.1 million for the 2019/20 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment.
5. Internally generated funding amount to R7.8 million, R5.5 million and R5.2 million for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).
6. A borrowing has been provided at R4.3 million in 2019/20 mainly for the acquisition of municipal motor vehicles.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 14 MBRR Table A6 -Budgeted Financial Position

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
ASSETS											
Current assets											
Cash		6,546	3,678	2,142	2,337	1,992	1,992	1,992	1,390	387	835
Call investment deposits	1	309	–	–	1,533	1,533	1,533	1,533	–	–	–
Consumer debtors	1	21,858	26,564	34,447	27,659	27,659	27,659	40,494	48,855	57,650	67,003
Other debtors		4,282	1,567	3,464	1,048	1,048	1,048	1,048	1,500	1,650	1,750
Total current assets		32,994	31,809	40,053	32,577	32,232	32,232	45,067	51,744	59,688	69,588
Non current assets											
Property, plant and equipment	3	296,963	333,789	361,847	334,987	334,987	334,987	407,257	449,724	487,599	527,020
Intangible		458	1,621	768	376	376	376	376	461	321	276
Total non current assets		297,421	335,409	362,614	335,363	335,363	335,363	407,633	450,185	487,920	527,296
TOTAL ASSETS		330,415	367,218	402,667	367,939	367,594	367,594	452,699	501,929	547,607	596,884
LIABILITIES											
Current liabilities											
Borrowing	4	54	–	–	–	–	–	–	–	–	–
Consumer deposits		575									
Trade and other payables	4	15,041	21,617	18,735	17,035	17,035	17,035	17,035	17,000	16,000	14,500
Provisions		539	6,911	7,157	100	100	100	100			
Total current liabilities		16,209	28,529	25,892	17,135	17,135	17,135	17,135	17,000	16,000	14,500
Non current liabilities											
Borrowing		3,117	–	–	6,543	6,543	6,543	6,543	10,893	12,198	9,539
Provisions		6,269	3,185	3,322	–	–	–	–	3,500	3,700	3,900
Total non current liabilities		9,385	3,185	3,322	6,543	6,543	6,543	6,543	14,393	15,898	13,439
TOTAL LIABILITIES		25,594	31,713	29,215	23,678	23,678	23,678	23,678	31,393	31,898	27,939
NET ASSETS	5	304,821	335,505	373,453	344,261	343,916	343,916	429,021	470,536	515,709	568,944
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		304,821	335,505	373,453	344,261	343,916	343,916	429,021	470,536	515,709	568,944
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH	5	304,821	335,505	373,453	344,261	343,916	343,916	429,021	470,536	515,709	568,944

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page53) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table15 MBRR Table A7 - Budgeted Cash Flow Statement

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		13,901	15,039	17,518	16,326	18,396	18,396	18,396	17,876	16,925	17,805
Service charges		1,685	1,723	1,824	686	1,170	1,170	1,170	1,486	1,563	916
Other revenue		1,916	345	2,991	2,559	2,436	2,436	2,436	2,478	2,870	2,997
Government - operating	1	113,969	124,672	131,985	142,909	141,959	141,959	141,959	162,773	169,827	179,993
Government - capital	1	47,505	44,456	57,542	46,286	46,286	46,286	46,286	39,873	42,428	44,828
Interest			1,663	1,556	1,940	1,940	1,940	1,940	2,041	2,147	2,259
Payments											
Suppliers and employees		(137,634)	(143,845)	(168,964)	(156,373)	(164,863)	(164,863)	(164,863)	(177,038)	(184,621)	(194,004)
Finance charges		(129)	(142)	(243)	(200)	(60)	(60)	(60)	(500)	(526)	(553)
Transfers and Grants	1	-			(1,550)	(1,550)	(1,550)	(1,550)	(1,950)	(2,051)	(2,158)
NET CASH FROM/(USED) OPERATING ACTIVITIES		41,214	43,910	44,210	52,584	45,715	45,715	45,715	47,039	48,562	52,082
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			(46,706)	(45,848)					-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables		(31)				5,995	5,995	5,995	-	-	-
Payments											
Capital assets		(49,517)	(18)	(2)	(55,206)	(50,326)	(50,326)	(50,326)	(47,716)	(47,973)	(50,044)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(49,547)	(46,724)	(45,849)	(55,206)	(44,331)	(44,331)	(44,331)	(47,716)	(47,973)	(50,044)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Increase (decrease) in consumer deposits				103					-	-	-
Payments											
Repayment of borrowing		(799)	(54)						(1,591)	(1,591)	(1,591)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(799)	(54)	103	-	-	-	-	(1,591)	(1,591)	(1,591)
NET INCREASE/ (DECREASE) IN CASH HELD		(9,132)	(2,868)	(1,536)	(2,622)	1,384	1,384	1,384	(2,268)	(1,002)	448
Cash/cash equivalents at the year begin:	2	15,678	6,546	3,678	6,492	2,142	2,142	2,142	3,657	1,390	387
Cash/cash equivalents at the year end:	2	6,545	3,678	2,142	3,870	3,526	3,526	3,526	1,390	387	835

The above table shows that cash and cash equivalents of the Municipality reflect a steady positive growth from 2019/20 to 2021/22. For the 2019/20 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to amount R1.3 million by 2019/20 and a decrease by R835 thousand by 2021/22.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

The Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 93 and 94 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- ⊕ What are the predicted cash and investments that are available at the end of the budget year?
- ⊕ How are those funds used?
- ⊕ What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	6,545	3,678	2,142	3,870	3,526	3,526	3,526	1,390	387	835
Other current investments > 90 days		309	0	0	(1)	(2)	(2)	(2)	0	(0)	0
Non current assets - Investments	1	—	—	—	—	—	—	—	—	—	—
Cash and investments available:		6,854	3,678	2,142	3,870	3,525	3,525	3,525	1,390	387	835
Application of cash and investments											
Unspent conditional transfers		—	175	1,007	—	—	—	—	—	—	—
Total Application of cash and investments:		—	175	1,007	—	—	—	—	—	—	—
Surplus(shortfall)		6,854	3,504	1,135	3,870	3,525	3,525	3,525	1,390	387	835

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 94 – Funding a Municipal Budget.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Compliance with section 18 of the MFMA is assumed because a surplus would indicate that the annual budget is appropriately funded.
5. The budget for the MTREF 2019/20 to 2021/22 with a positive surplus of R1.3 million, R387 and R835 thousand is appropriately funded.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 17 MBRR Table A9 - Asset Management

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CAPITAL EXPENDITURE										
Total New Assets	1	37,528	46,706	64,089	55,206	50,326	50,326	52,066	47,050	49,106
Roads Infrastructure		30,109	39,393	43,613	39,786	35,036	35,036	37,873	33,494	35,828
Electrical Infrastructure		6,000	2,279	15,000	15,000	15,000	15,000	8,000	8,934	9,000
Infrastructure		36,109	41,672	58,613	54,786	50,036	50,036	45,873	42,428	44,828
Community Facilities		—	—	4,487	—	—	—	—	—	—
Community Assets		—	—	4,487	—	—	—	—	—	—
Intangible Assets		—	—	—	—	—	—	—	—	—
Computer Equipment		350	145	—	290	290	290	933	158	—
Furniture and Office Equipment		569	4,890	989	130	—	—	210	—	—
Machinery and Equipment		—	—	—	—	—	—	700	4,464	4,278
Transport Assets		500	—	—	—	—	—	4,350	—	—
Total Renewal of Existing Assets	2	—	—	—	—	—	—	—	—	—
Total Capital Expenditure	4	37,528	46,706	64,089	55,206	50,326	50,326	52,066	47,050	49,106
Roads Infrastructure		30,109	39,393	43,613	39,786	35,036	35,036	37,873	33,494	35,828
Storm water Infrastructure		—	—	—	—	—	—	—	—	—
Electrical Infrastructure		6,000	2,279	15,000	15,000	15,000	15,000	8,000	8,934	9,000
Infrastructure		36,109	41,672	58,613	54,786	50,036	50,036	45,873	42,428	44,828
Community Facilities		—	—	4,487	—	—	—	—	—	—
Community Assets		—	—	4,487	—	—	—	—	—	—
Intangible Assets		—	—	—	—	—	—	—	—	—
Computer Equipment		350	145	—	290	290	290	933	158	—
Furniture and Office Equipment		569	4,890	989	130	—	—	210	—	—
Machinery and Equipment		—	—	—	—	—	—	700	4,464	4,278
Transport Assets		500	—	—	—	—	—	4,350	—	—
TOTAL CAPITAL EXPENDITURE - Asset class		37,528	46,706	64,089	55,206	50,326	50,326	52,066	47,050	49,106

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not have major assets that need to be renewed. The MIG and electricity projects capital projects that are being undertaken at this stage are fairly new and will probably not be renewed during the current MTREF. It is for the same reason that the budget for repairs and maintenance is not 8% of the net asset value of the municipality's property, plant and equipment.

Table 18 MBRR Table A10 - Basic Service Delivery Measurement

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	150,000	1,500,000	1,500,000	1,500,000	1,550,000	1,630,600	1,715,391
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality has a huge backlog of basic services delivery. The services such as water and sanitation are the responsibility of the Zululand District Municipality whilst ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma.

- **Electricity**

ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma and the existing bulk supply is being upgraded to meet the existing and future demands of Nongoma town and the surrounding areas. The municipality area is covered by metered electricity supply whilst those areas in the former Tribal Areas are served with pre-paid electricity supply as well as metered electricity supply in selected areas.

- **Refuse**

There are no formal refuse removal services or refuse dumps in the rural areas of Nongoma. There is a landfill site in Nongoma Town which is almost full. However, it should be noted that in the town this function is being investigated with a view to realizing greater efficiencies.

3. The Free Basic Services will cost the municipality R1.5 million in 2019/20.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 15) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled an IDP/Budget Process Plan during August 2018 as required by the MFMA. The Key dates applicable to the process were:

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

- **25 January 2019** - Council considers the 2019/20 Mid-year and performance assessment.
- **27 February 2019**- Council revised budget
- **12 February 2019** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **19 February 2019** – Commencing the departmental budget consolidation process and the budget and treasury office commence preparation of draft budget for the 2019/20 financial period.
- **27 March 2019** - Tabling in Council of the draft 2019/20 IDP and 2021/22 MTREF for public consultation;
- **April 2019** – Public consultation commences
- **29 April 2019** - Closing date for written comments;
- **2 to 13 May 2019** – finalization of the 2019/20 IDP and 2020/21 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **30 May 2019** - Tabling of the 2019/20 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

2.1.3 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2019/20 MTRE, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2019/20 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends
- Performance trends
- The approved 2019/20 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 93 and 94 – budget circulars - has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The 2019/20 draft budget and MTREF after being tabled before Council for approval on 27 March 2019 was made available at municipal offices and municipal library for public comments. In addition to that, consultation process included invitation of the community to the IDP/Budget Road shows as planned. The road shows were held at different places within Nongoma municipal area of jurisdiction as identified by council as follows:

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

- On the 25 April 2019 – Ematheni Traditional Authority (NqobuZulu)
- On the 26th April 2019 – Osuthu Traditional Authority (EmaHhahini)
- On the 28 April 2019 – Mandlakazi Traditional Authority (Emangqeleni)

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs. Also Ward Committees will play a vital role in facilitating the community consultation process.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant consider as part of the finalisation of the 2019/20 MTREF.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2016 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

In January 2010 government adopted twelve outcomes underpinning its long term development strategy as a key focus of work to be done between now and 2015. Each of the 12 outcomes has a delivery agreement that in most cases involve all spheres of government and a range of

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

partners outside government. Combined, these agreements reflect Government's delivery and implementation plans for its foremost priorities.

The Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The outcomes-based approach further identifies the 12 desired outcomes of Government. These are:

1. Improved quality of basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Creating a better South Africa and contributing to a better and safer Africa in a better world.
12. An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

IDP. The following table highlights the IDP's five strategic objectives for the 2019/20 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

2019/20 MTREF
1. Provision of quality basic services and infrastructure
2. Economic growth and development that leads to sustainable job creation
3.1 Fight poverty and build clean, healthy, safe and sustainable communities
3.2 Integrated Social Services for empowered and sustainable communities
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1 Promote sound governance
5.2 Ensure financial sustainability
5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity (through Eskom)
 - Provide water (through District Municipality)
 - Provide sanitation (through District Municipality)
 - Provide solid waste removal
 - Provide housing (through Department of Human Settlements)
 - Provide roads and storm water
 - Provide municipality planning services; and
 - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Extending waste removal services and ensuring effective municipality cleansing;
- Working with strategic partners such as SAPS to address crime;
- Ensuring save working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance and communication through:

- Publishing the outcomes of all tender processes and other information on the municipal website.

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan.

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

This 2019/20 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 23MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective R thousand	Goal	Goal Code	Ref	2015/16			2016/17			2017/18			Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22						
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure and optimising the same.			50,028	60,263	48,087	44,344	40,407	40,407	68,500	69,200	70,145						
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			60,263	50,028	58,263	59,863	60,263	60,263	47,000	54,800	56,000						
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue			36,103	39,434	49,104	50,428	47,863	47,863	51,002	65,200	67,000						
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal			0		21,335	8,400	12,500	12,500	25,410	35,000	33,722						
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			56,107	47,104	56,887	56,946	59,498	59,498	45,891	25,049	36,848						
Allocations to other priorities				2														
Total Revenue (excluding capital transfers and contributions)				1	202,501	196,829	233,676	219,981	220,531	220,531	237,803	249,249	263,715					

Table 24MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective R thousand	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			46,623	60,263	48,087	53,551	56,735	56,735	36,102	38,990	42,889	
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			60,263	50,028	58,263	2,747	25,215	25,215	37,823	41,605	47,430	
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.			36,102	39,434	49,104	36,617	37,823	37,823	58,263	61,176	66,070	
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively.			-		9,000	18,308	25,216	25,216	20,256	25,216	38,823	
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			-	17,531	27,681	53,551	25,216	25,216	37,643	36,461	19,433	
Allocations to other priorities													
Total Expenditure				1	142,988	167,256	192,135	164,774	170,204	170,204	190,087	203,448	214,646

Table 25MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
R thousand													
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			7,524	6,783	10,426	10,342	10,549	12,434	24,720	15,744	15,744	
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			19,541	18,366	25,306	27,884	18,000	15,000	8,000	8,934	9,000	
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.			6,321	7,883	9,983	11,324	10,438	12,723	4,361	5,321	6,210	
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection services and the disaster management services are operating effectively.			3,121	5,249	8,949	4,500	4,800	5,000	4,851	4,464	5,163	
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			1,021	8,426	9,426	1,156	6,539	5,169	10,134	13,509	13,926	
Allocations to other priorities				3									
Total Capital Expenditure				1	37,529	46,706	64,089	55,206	50,326	50,326	52,066	47,972	50,043

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has for the first time developed and implemented a performance management system. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

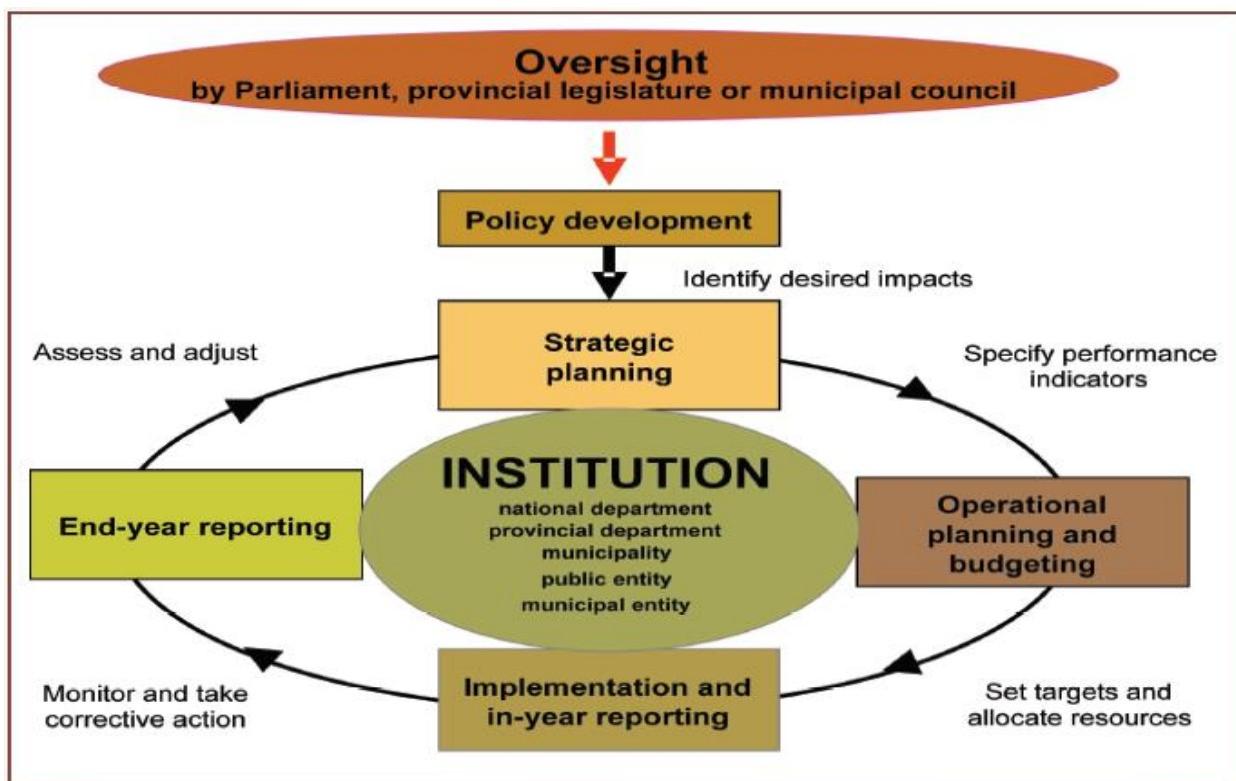


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 27MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.6%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	1.1%	1.0%	1.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	3.6%	0.7%	0.5%	0.6%	0.2%	0.2%	0.2%	5.9%	5.7%	5.5%
Borrowed funding of own capital expenditure	Borrowing/Capital expenditure excl. transfers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	2.0	1.1	1.5	1.9	1.9	1.9	2.6	3.0	3.7	4.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.0	1.1	1.5	1.9	1.9	1.9	2.6	3.0	3.7	4.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.0	0.1
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		78.1%	79.0%	85.3%	68.0%	102.2%	102.2%	102.2%	70.0%	63.5%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	78.3%	79.0%	85.3%	68.0%	78.2%	78.2%	78.2%	70.0%	63.5%	61.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors >	16.9%	18.5%	21.5%	16.5%	16.5%	16.5%	23.8%	25.4%	28.7%	31.4%

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and the following related policies:

- Credit control and debt collection procedures/policies;
- Asset Management, Infrastructure Investment and Funding Policy;
- Tariff Policies;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Indigent Policy
- Virement Policy

2.5 Overview of budget assumptions

2.5.1 External factors

The economic slowdown has resulted in the financial resources being limited due to reduced payment levels by consumers. As a result the cash inflows have declined which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2019/20 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers; and
- The increase in the cost of remuneration. Employee related costs comprise 55% of total operating expenditure in the 2019/20 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement between SALGBC and the municipal workers unions was concluded effective

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. In the 2019/20 MTREF it has been assumed that all borrowings are undertaken using fixed prime interest rates for amortisation-style loans requiring both regular principal and interest payments.

2.5.4 Collection rate for revenue services

The base assumption is that tariff will increase at a rate of inflation provided by National Treasury in Circular 93. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however be considered a source of additional cash in-flow once the performance has been carefully monitored. The 70 per cent collection rate relates to the recoveries from the business community and the government. The collections from the residents are negligible due to the high rate of unemployment.

2.5.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate and real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing ‘households’ is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the ‘poor household’ limits consumption to the level of free basic services.

Table 28 Sources of capital revenue over the MTREF

Vote Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
National Government		35,718	41,672	58,378	46,286	46,286	46,286	46,286	39,873	42,428	44,828
Transfers recognised - capital		35,718	41,672	58,378	46,286	46,286	46,286	46,286	39,873	42,428	44,828
Borrowing									4,350	–	–
Internally generated funds		1,460	5,034	5,711	8,920	4,040	4,040	4,040	7,843	5,545	5,216
Total Capital Funding		37,178	46,706	64,089	55,206	50,326	50,326	50,326	52,066	47,973	50,044

Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 29 MBRR SA10 – Funding compliance measurement

Description	MFMA section	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funding measures											
Cash/cash equivalents at the year end - R'000	18(1)b	1	6,545	3,678	2,142	3,870	3,526	3,526	3,526	1,390	387
Cash + investments at the yr end less applications - R'000	18(1)b	2	10,976	574	3,286	6,313	7,305	7,305	16,611	17,599	20,733
Cash year end/monthly employee/supplier payments	18(1)b	3	0.7	0.3	0.2	0.3	0.3	0.3	0.3	0.1	0.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	59,513	29,573	41,541	55,206	50,326	50,326	47,716	45,800	49,069
Service charge rev % change - macro CPIX target exclusive	18(1)a.(2)	5	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash receipts % of Ratepayer & other revenue	18(1)a.(2)	6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt impairment expense as a % of total billable revenue	18(1)a.(2)	7	9.1%	18.7%	10.3%	6.9%	6.9%	6.9%	3.6%	3.6%	3.6%
Capital payments % of capital expenditure	18(1)c;19	8	131.9%	0.0%	0.0%	100.0%	100.0%	100.0%	91.6%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt legislated/gazetted allocations	18(1)a	10							0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	7.6%	34.8%	(24.3%)	0.0%	0.0%	44.7%	75.4%	17.8%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	1.1%	0.7%	1.4%	1.4%	1.4%	1.3%	1.3%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Total Operating Revenue	154,996	152,373	176,134	173,694	174,244	174,244	174,244	199,880	206,821	218,887
Total Operating Expenditure	142,988	167,255	192,135	164,699	170,204	170,204	170,204	190,087	203,448	214,646
Operating Performance Surplus/(Deficit)	12,008	(14,882)	(16,001)	8,995	4,040	4,040	4,040	9,793	3,372	4,241
Cash and Cash Equivalents (30 June 2012)								1,390		
Revenue										
% Increase in Total Operating Revenue		(1.7%)	15.6%	(1.4%)	0.3%	0.0%	0.0%	14.7%	3.5%	5.8%
% Increase in Property Rates Revenue		7.0%	6.9%	10.3%	0.0%	0.0%	0.0%	11.1%	5.2%	5.2%
% Increase in Electricity Revenue		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(100.0%)	0.0%
% Increase in Property Rates & Services Charges		6.6%	6.8%	10.3%	0.0%	0.0%	0.0%	18.4%	(1.7%)	5.2%
Expenditure										
% Increase in Total Operating Expenditure		17.0%	14.9%	(14.3%)	3.3%	0.0%	0.0%	11.7%	7.0%	5.5%
% Increase in Employee Costs		9.1%	14.0%	(1.2%)	0.1%	0.0%	0.0%	7.5%	7.6%	7.2%
% Increase in Electricity Bulk Purchases		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)		125166.5238	317325.5373					210072.1667		
Average Cost Per Councillor (Remuneration)		328934.1429	352896.1905					368737.0714		
R&M % of PPE	0.0%	0.0%	1.1%	0.7%	1.4%	1.4%		1.3%	1.3%	1.2%
Asset Renewal and R&M as a % of PPE	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%		0.0%	0.0%	0.0%
Debt Impairment % of Total Billable Revenue	9.1%	18.7%	10.3%	6.9%	6.9%	6.9%	6.9%	3.4%	3.6%	3.6%
Capital Revenue										
Internally Funded & Other (R'000)	1,460	5,034	5,711	8,920	4,040	4,040	4,040	7,843	5,545	5,216
Borrowing (R'000)	-	-	-	-	-	-	-	4,350	-	-
Grant Funding and Other (R'000)	35,718	41,672	58,378	46,286	46,286	46,286	46,286	39,873	42,428	44,828
Internally Generated funds % of Non Grant Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	64.3%	100.0%	100.0%
Borrowing % of Non Grant Funding	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.7%	0.0%	0.0%
Grant Funding % of Total Funding	96.1%	89.2%	91.1%	83.8%	92.0%	92.0%	92.0%	76.6%	88.4%	89.6%
Capital Expenditure										
Total Capital Programme (R'000)	37,178	46,706	64,089	55,206	50,326	50,326	50,326	52,066	47,973	50,044
Asset Renewal	-	-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash										
Cash Receipts % of Rate Payer & Other	73.3%	65.8%	52.4%	67.9%	72.5%	72.5%	72.5%	62.3%	61.3%	59.3%
Cash Coverage Ratio	0	0	0	0	0	0	0	0	0	0
Borrowing										
Credit Rating (2009/10)								0		
Capital Charges to Operating	0.6%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	1.1%	1.0%	1.0%
Borrowing Receipts % of Capital Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves										
Surplus/(Deficit)	10,976	574	3,286	6,313	7,305	7,305	16,611	15,753	20,733	27,094
Free Services										
Free Basic Services as a % of Equitable Share	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)	0.0%	0.0%	0.0%	1.5%	1.4%	1.4%		1.5%	1.5%	1.5%
High Level Outcome of Funding Compliance										
Total Operating Revenue	154,996	152,373	176,134	173,694	174,244	174,244	174,244	199,880	206,821	218,887
Total Operating Expenditure	142,988	167,255	192,135	164,699	170,204	170,204	170,204	190,087	203,448	214,646
Surplus/(Deficit) Budgeted Operating Statement	12,008	(14,882)	(16,001)	8,995	4,040	4,040	4,040	9,793	3,372	4,241
Surplus/(Deficit) Considering Reserves and Cash Backing	10,976	574	3,286	6,313	7,305	7,305	16,611	15,753	20,733	27,094
MTREF Funded (1) / Unfunded (0)	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

2.6 Expenditure on grants and reconciliations of unspent funds

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

KZN265 Nongoma - Supporting Table SA19 Expenditure on transfers and grant programme

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:										
Local Government Equitable Share		128,397	123,980	131,076	140,318	140,318	140,318	158,492	166,403	177,362
Finance Management		124,217	121,046	128,137	136,733	136,733	136,733	154,506	164,433	175,392
Municipal Systems Improvement		1,800	1,825	1,900	1,970	1,970	1,970	1,970	1,970	1,970
EPWP Incentive		930	—	—	—	—	—	—	—	—
Other transfers/grants [insert description]		1,450	1,109	1,039	1,615	1,615	1,615	2,016	—	—
Provincial Government:										
Provincialisation of Libraries		850	738	771	2,591	1,641	1,641	4,281	3,424	2,581
Community Library Services		553	559	583	838	838	838	880	924	975
Sports Fields Maintenance		170	179	188	753	753	753	1,401	1,500	1,606
Schemes Support Programme		—	—	—	50	50	50	—	—	—
Other transfers/grants [insert description]		127	—	—	1,000	—	—	2,000	—	—
District Municipality:										
[insert description]		—	—	—	—	—	—	—	—	—
Other grant providers:										
[insert description]		—	—	—	—	—	—	—	—	—
Total operating expenditure of Transfers and Grants:		129,246	124,718	131,847	142,909	141,959	141,959	162,773	169,827	179,943
Capital expenditure of Transfers and Grants										
National Government:										
Municipal Infrastructure Grant (MIG)		47,505	43,896	58,378	46,286	46,286	46,286	39,873	42,428	44,828
Integrated National Electrification Programme		35,505	30,417	43,378	31,286	31,286	31,286	31,873	33,494	35,828
Other capital transfers/grants [insert desc]		12,000	13,479	15,000	15,000	15,000	15,000	8,000	8,934	9,000
Provincial Government:										
Other capital transfers/grants [insert description]		—	—	—	—	—	—	—	—	—
District Municipality:										
[insert description]		60	—	—	—	—	—	—	—	—
Other grant providers:										
[insert description]		60	—	—	—	—	—	—	—	—
Total capital expenditure of Transfers and Grants		47,565	43,896	58,378	46,286	46,286	46,286	39,873	42,428	44,828
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		176,811	168,614	190,225	189,195	188,245	188,245	202,646	212,255	224,771

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 34MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
		A	B	C	D	E	F	G	H	I	
Councillors (Political Office Bearers plus Other)											
Basic Salaries and Wages		7,949	8,718	8,340	8,924	8,924	8,924	9,413	9,921	10,457	
Pension and UIF Contributions		4,546	4,467	1,079	1,155	1,155	1,155	1,216	1,282	1,351	
Medical Aid Contributions		–	–	75	80	80	80	153	162	170	
Motor Vehicle Allowance		–	–	3,165	3,386	3,386	3,386	2,840	2,993	3,154	
Cellphone Allowance		–	–	1,030	1,103	1,103	1,103	1,714	1,806	1,904	
Other benefits and allowances		–	–	163	174	174	174	151	159	168	
Sub Total - Councillors		12,495	13,185	13,852	14,821	14,821	14,821	15,487	16,323	17,205	
% increase			5.5%	5.1%	7.0%	–	–	4.5%	5.4%	5.4%	
Senior Managers of the Municipality											
Basic Salaries and Wages		3,896	3,304	4,673	5,355	5,355	5,355	4,141	4,456	4,777	
Pension and UIF Contributions		156	129	853	977	977	977	39	42	45	
Medical Aid Contributions		–	–	345	395	395	395	53	57	61	
Performance Bonus		621	454	618	662	662	662	–	–	–	
Motor Vehicle Allowance		–	–	1,178	1,350	1,350	1,350	1,257	1,352	1,450	
Other benefits and allowances		1,908	1,607	184	211	211	211	42	45	49	
Payments in lieu of leave		–	–	–	–	–	–	235	253	271	
Sub Total - Senior Managers of Municipality		6,580	5,494	7,851	8,951	8,951	8,951	5,767	6,205	6,652	
% increase			(16.5%)	42.9%	14.0%	–	–	(35.6%)	7.6%	7.2%	
Other Municipal Staff											
Basic Salaries and Wages		37,930	42,583	44,012	49,047	49,047	49,047	54,871	59,021	63,253	
Pension and UIF Contributions		10,417	11,756	10,016	10,729	10,729	10,729	13,751	14,791	15,851	
Medical Aid Contributions		2,059	2,617	1,938	2,611	2,611	2,611	3,669	3,947	4,231	
Overtime		2,566	3,514	2,340	3,042	3,042	3,042	1,140	1,225	1,313	
Performance Bonus		2,566	3,272	2,892	3,633	3,633	3,633	4,628	4,978	5,335	
Motor Vehicle Allowance		3,665	3,624	1,786	2,984	2,984	2,984	3,393	3,651	3,914	
Housing Allowances		–	–	–	–	–	–	44	47	50	
Other benefits and allowances		632	347	1,072	2,219	2,219	2,219	578	621	666	
Payments in lieu of leave		57	253	–	–	–	–	1,651	1,775	1,902	
Long service awards		1,239	336	–	–	–	–	–	–	–	
Sub Total - Other Municipal Staff		61,131	68,301	64,056	74,264	74,264	74,264	83,724	90,056	96,515	
% increase			11.7%	(6.2%)	15.9%	–	–	12.7%	7.6%	7.2%	
Total Parent Municipality		80,206	86,980	85,759	98,036	98,036	98,036	104,978	112,584	120,371	
			8.4%	(1.4%)	14.3%	–	–	7.1%	7.2%	6.9%	
TOTAL SALARY, ALLOWANCES & BENEFITS		80,206	86,980	85,759	98,036	98,036	98,036	104,978	112,584	120,371	
% increase		0	–	8.4%	(1.4%)	14.3%	–	–	7.1%	7.2%	6.9%
TOTAL MANAGERS AND STAFF		5,7	67,712	73,795	71,907	83,215	83,215	83,215	89,491	96,261	103,167

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20
term

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 36 MBRR SA25 - Budgeted monthly revenue and expenditure

Description R thousand	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Revenue By Source																	
Property rates		2,128	2,128	2,128	2,128	2,128	2,128	2,128	2,128	2,128	2,128	2,128	2,128	25,537	26,865	28,262	
Service charges - refuse revenue		177	177	177	177	177	177	177	177	177	177	177	177	2,123	2,234	2,350	
Rental of facilities and equipment		23	23	23	23	23	23	23	23	23	23	23	24	277	292	308	
Interest earned - external investments		170	170	170	170	170	170	170	170	170	170	170	170	2,041	2,147	2,259	
Interest earned - outstanding debtors		228	228	228	228	228	228	228	228	228	228	228	228	2,735	2,877	3,027	
Fines, penalties and forfeits		29	29	29	29	29	29	29	29	29	29	29	29	346	367	389	
Licences and permits		79	79	79	79	79	79	79	79	79	79	79	78	945	1,003	1,062	
Transfers and subsidies		52,934	1,970	-	-	-	52,934	-	-	52,934	-	-	2,000	162,773	169,827	179,993	
Other revenue		96	96	96	96	96	96	96	96	96	96	96	97	1,153	1,208	1,238	
Total Revenue (excluding capital transfers and contributions)		55,864	4,900	2,930	2,930	2,930	55,864	2,930	2,930	55,864	2,930	2,930	4,931	197,930	206,821	218,887	
Expenditure By Type																	
Employee related costs		7,458	7,458	7,458	7,458	7,458	7,458	7,458	7,458	7,458	7,458	7,458	7,457	89,491	96,261	103,167	
Remuneration of councillors		1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	15,487	16,323	17,205	
Debt impairment		83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,052	1,107	
Depreciation & asset impairment		800	800	800	800	800	800	800	800	800	800	800	800	9,599	10,098	10,623	
Finance charges		42	42	42	42	42	42	42	42	42	42	42	42	500	526	553	
Other materials		42	42	42	42	42	42	42	42	42	42	42	42	927	1,385	1,457	1,533
Contracted services		2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	2,017	4,578	26,760	28,419	29,685
Transfers and subsidies		129	129	129	129	129	129	129	129	129	129	129	129	529	1,950	2,051	2,158
Other expenditure		3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	43,916	47,261	48,616	
Total Expenditure		15,520	15,520	15,520	15,520	15,520	15,520	15,520	15,520	15,520	15,520	15,520	19,366	190,087	203,448	214,646	
Surplus/(Deficit)		40,344	(10,620)	(12,590)	(12,590)	(12,590)	40,344	(12,590)	(12,590)	40,344	(12,590)	(12,590)	(14,435)	7,843	3,372	4,241	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		16,348	-	-	-	-	13,158	-	-	10,367	-	-	(0)	39,873	42,428	44,828	
Surplus/(Deficit) after capital transfers & contributions		56,692	(10,620)	(12,590)	(12,590)	(12,590)	53,502	(12,590)	(12,590)	50,711	(12,590)	(12,590)	(14,435)	47,716	45,800	49,069	
Taxation														-	-	-	
Surplus/(Deficit)	1	56,692	(10,620)	(12,590)	(12,590)	(12,590)	53,502	(12,590)	(12,590)	50,711	(12,590)	(12,590)	(14,435)	47,716	45,800	49,069	

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

2.7 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

Table 39 MBRR SA33 – Contracts having future budgetary implications

The municipality do not have contract with future budgetary implications.

2.8 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 40 MBRR SA 34a - Capital expenditure on new assets by asset class

Description R thousand	Ref 1	2015/16			2016/17			2017/18			Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22						
Capital expenditure on new assets by Asset Class/Sub-class																
Infrastructure		36,109	41,672	58,613	54,786	50,036	50,036	45,873	42,428	44,828						
Roads Infrastructure		30,109	39,393	43,613	39,786	35,036	35,036	37,873	33,494	35,828						
Roads		30,109	39,393	43,613	39,786	35,036	35,036	37,873	33,494	35,828						
Electrical Infrastructure		6,000	2,279	15,000	15,000	15,000	15,000	8,000	8,934	9,000						
Capital Spares		6,000	2,279	15,000	15,000	15,000	15,000	8,000	8,934	9,000						
Community Assets		-	-	4,487	-	-	-	-	-	-						
Community Facilities		-	-	4,487	-	-	-	-	-	-						
Halls				3,487												
Testing Stations				1,000												
Computer Equipment		350	145	-	290	290	290	933	158	-						
Computer Equipment		350	145	-	290	290	290	933	158	-						
Furniture and Office Equipment		569	4,890	989	130	-	-	210	-	-						
Furniture and Office Equipment		569	4,890	989	130	-	-	210	-	-						
Machinery and Equipment		-	-	-	-	-	-	700	4,464	4,278						
Machinery and Equipment		-	-	-	-	-	-	700	4,464	4,278						
Transport Assets		500	-	-	-	-	-	4,350	-	-						
Transport Assets		500	-	-	-	-	-	4,350	-	-						
Total Capital Expenditure on new assets	1	37,528	46,706	64,089	55,206	50,326	50,326	52,066	47,050	49,106						

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20 term

Table 41 MBRR SA 34a - Capital expenditure on existing assets by asset class

KZN265 Nongoma - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class

Description R thousand	Ref 1	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The municipality did not make allocation against renewal of the existing assets. The municipality is currently in a process of compiling a master plan for all assets to ensure that repairs and maintenance including renewal of assets are properly planned.

Table 42MBRR SA34c - Repairs and maintenance expenditure by asset class

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		-	-	-	1,100	2,000	2,000	2,100	2,209	2,324
Roads Infrastructure		-	-	-	1,100	2,000	2,000	2,100	2,209	2,324
Roads					1,100	2,000	2,000	2,100	2,209	2,324
Other assets		-	-	1,500	700	1,800	1,800	2,579	2,713	2,854
Operational Buildings		-	-	1,500	700	1,800	1,800	2,579	2,713	2,854
Municipal Offices				1,500	700	1,800	1,800	2,579	2,713	2,854
Computer Equipment		-	-	107	-	-	-	50	53	55
Computer Equipment				107	-	-	-	50	53	55
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment				-	-	-	-	-	-	-
Machinery and Equipment		-	-	2,261	130	-	-	80	84	89
Machinery and Equipment				2,261	130	-	-	80	84	89
Transport Assets		-	-	-	500	1,000	1,000	1,000	1,052	1,107
TransportAssets				-	500	1,000	1,000	1,000	1,052	1,107
Total Repairs and Maintenance Expenditure		-	-	3,868	2,430	4,800	4,800	5,809	6,111	6,428

2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) is complied with on monthly bases.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme that is funded by National Treasury and has appointed five (5) interns on a 2 year contract basis. This is a conditional grant allocation and it is then the responsibility of the municipality to ensure Financial Management Grant is spent in full at the end of the year.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

The Audit Committee is functioning satisfactorily during the year.

5. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

Final budget and Medium Term Revenue & Expenditure Framework for 2019/20
term



2.10 Municipal manager's quality certificate

I, Mrs NHM Dladla, Acting municipal manager of Nongoma Municipality, hereby certify that the Annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Mrs NHM Dladla

Acting Municipal manager of Nongoma Municipality (KZN265)

Signature _____

Date 30 May 2019